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M. Smith
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Dear Christopher,

YUGOSLAV/ITALIAN RELATIONS

1. David Miller's letter of 17 January to Michael Smith reported inter alia on Yugoslav/Italian bilateral relations in the light of the Italian Foreign Minister's visit. Today's press reports on a session on 10 July in Ljubljana of a working group of the Foreign Affairs Committee of the Federal Chamber and the Committee for Foreign Economic Relations of the Chamber of Republics and Provinces of the Assembly reviewing co-operation with Italy under the Osimo Treaty.

2. According to Tanjug, both countries were seeking to make use of the advantages which "the most open frontier in this part of Europe" offers them. But, as we know, all is not proceeding as smoothly as the Yugoslavs would like. Tanjug refers to obstacles to expanding co-operation which it makes clear are both economic and political. First, progress is slow on the projects to build a free zone at Sezzana and an industrial area in the Kras area nearby; and unspecified barriers are hindering the development of local border traffic. The main political difficulty is described as "the lack of a complete solution for the status of ethnic Slovenes in Italy".

3. I asked Augelli, Counsellor at the Italian Embassy, what was at the root of the obstacles. He said that the main trouble was that the Yugoslavs wanted to make haste to show concrete gains from Osimo. In the economic field this was difficult for the Italians because there were other areas that also needed development and there were strong local environmental objections to the construction of the free zone. As regards the status of the Slovenes, the Yugoslavs wanted them to enjoy the same rights and privileges of minorities in Yugoslavia. This too was

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difficult for the Italians whose Constitution was different. Augelli said that he believed that the Italians would have to continue to play these problems long.

Yours ever,

Terry

T J Clark

cc Chancery, Rome
HM Consul-General, Zagreb